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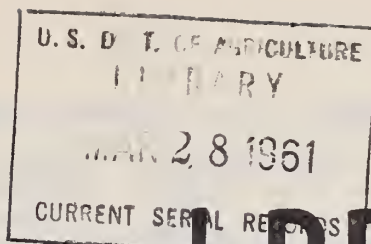
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The

DEMAND and PRICE SITUATION

DPS-61



January 1960
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Approved by the Outlook and Situation Board January 19, 1960

SUMMARY

The index of prices received by farmers in December declined nearly 1 percent from November and was 7 percent below a year ago. Prices paid by farmers including interest, taxes and wage rates averaged the same as in November but nearly 1 percent above a year earlier. Increases over a year earlier in the cost rates for interest, taxes and wages, and higher prices for clothing and for durable goods such as motor vehicles, farm machinery and building and fencing materials, more than offset declines in feeder livestock, feed, seed, food, and fertilizer. The parity ratio at 77 in December was unchanged from November but 6 points below a year earlier.

Most of the decline in prices received in recent months has been concentrated in meat animals. In the last quarter of 1959, hog slaughter was 18 percent above a year earlier while prices were down a third to an average of \$12.00. Cattle slaughter in the final quarter of 1959 was 6 percent above a year earlier, and average prices at \$20.30 were 9 percent lower. Chicken and turkey prices increased sharply at year end and were well above a year earlier but egg prices declined seasonally and were 17 percent below December 1958. Crop prices in December 1959, while down some from spring levels, were about the same as a year earlier. Prices

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AGRICULTURAL MARKETING SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1958		1959			
		Year	Dec.	Sept.	Oct.	Nov.	Dec.
Industrial production, seasonally adj. <u>1/</u>	1947-49=100	141	151	157	155	156	165
All manufactures	do.	139	149	156	154	154	164
Durable goods	do.	141	155	157	155	156	174
Nondurable goods	do.	141	147	159	156	157	157
Mining	do.	120	129	119	120	125	129
Utilities	do.	244	253	276	275	277	283
Construction:							
Total outlays, seasonally adjusted <u>2/</u>	Mil. dol.	48,980	4,424	4,427	4,313	4,234	4,380
Public construction	Mil. dol.	15,033	1,436	1,231	1,184	1,134	1,182
Private residential	Mil. dol.	17,884	1,733	1,855	1,811	1,762	1,808
Housing starts	Thousands	1,209	1,432	1,323	1,180	1,310	
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	26,246	28,135	29,818	29,384	29,199	
Durable goods	Mil. dol.	12,402	13,613	14,113	14,047	13,539	
Unfilled orders-sales ratio <u>5/</u>		3.57	3.23	3.39	3.44	3.57	
Inventory-sales ratio <u>6/</u>		1.93	1.75	1.74	1.75	1.76	
Durable goods		2.32	2.04	2.11	2.08	2.17	
Employment and wages: <u>7/</u>							
Total civilian employment	Millions	64.0	64.0	66.3	66.8	65.6	65.7
Nonagricultural	do.	58.1	59.1	60.1	60.7	60.0	60.9
Unemployment	do.	4.7	4.1	3.2	3.3	3.7	3.6
Workweek, in manufacturing	Hours	39.2	40.2	40.3	40.3	39.9	40.5
Hourly earnings in manufacturing	Dollars	2.13	2.19	2.22	2.21	2.23	2.26
Income and spending:							
Personal income payments <u>2/</u> <u>3/</u>	Bil. dol.	359.0	366.9	380.9	382.3	386.9	390.7
Consumer credit outstanding <u>1/</u>	Mil. dol.	45,586	45,586	49,350	49,872	50,379	
Automobile	Mil. dol.	14,237	14,237	16,470	16,659	16,669	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	16,682	17,603	17,783	18,341	17,840	17,644
Durable goods	Mil. dol.	5,284	5,825	5,774	6,360	5,681	5,399
Inventory-sales ratio <u>6/</u>		1.44	1.36	1.39	1.35	1.36	
Prices:							
Wholesale prices, all commodities <u>4/</u>	1947-49=100	119	119	120	119	119	119
Commodities other than farm and food	do.	126	127	128	128	128	129
Farm products	do.	95	91	89	86	85	86
Foods processed	do.	111	109	108	106	105	105
Consumer price index, all items <u>4/</u>	1947-49=100	124	124	125	126	126	
Food	do.	120	119	119	118	118	
Prices received by farmers <u>8/</u>	1910-14=100	250	244	239	235	230	228
Crops	do.	223	213	220	219	216	217
Livestock and products	do.	273	270	256	248	243	238
Prices paid, interest, taxes and wage rates <u>8/</u>	1910-14=100	293	295	297	296	297	297
Family living items	do.	287	287	288	290	291	291
Production items	do.	264	265	265	264	264	264
Parity ratio <u>8/</u>		85	83	80	79	77	77
Farm income and marketings: <u>8/</u>							
Volume of farm marketings	1947-49=100	125	146	147	171	175	
Cash receipts from farm marketings	Mil. dol.	33,560	3,259	3,240	3,598	3,654	

Annual data for most of these items for the years 1929 and 1939-58 appear on page 35 of the April 1959 issue of The Demand and Price Situation.

- 1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Unfilled orders for durables divided by monthly deliveries. 6/ Inventories, book value, end of month, divided by sales. 7/ Bureau of the Census.
8/ U. S. Department of Agriculture, Agricultural Marketing Service.

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T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, January 19, 1960

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received by farmers this winter are not expected to change much from current levels. Prospects are for some seasonal firming in prices for meat animals, fruits and potatoes, with declines likely for vegetables, dairy and poultry products.

Industrial production in December recovered sharply, with large gains in automobiles, machinery and other heavy steel using industries. Employment increased and the seasonally adjusted rate of unemployment dropped to 5.2 percent of the civilian labor force, the lowest since July. Personal income reached \$390.7 billion at year end, up \$3.8 billion from November and 6 percent above a year ago, due to higher wage and salary payments. Money and credit continued tight with interest rates rising in late November and December.

The balance of payments on all transactions improved in the third quarter of 1959. U. S. exports of goods and services rose to an annual rate of \$24.7 billion in July-September 1959, up \$2 billion from the previous quarter and \$1 billion from a year earlier. About a third of the increase in merchandise exports in July-September 1959 was in agricultural exports. U. S. imports of goods and services at an annual rate of \$23.9 billion in July-September were the same as the second quarter and nearly \$2 billion above a year earlier.

Commodity Highlights

Producers' intentions on December 1 were to reduce the 1960 spring pig crop by 11 percent. Hog slaughter during the early part of 1960 will probably be above 1959 but by the end of the year will be substantially less than in the previous year. Continued liberal marketings of fed cattle this winter will hold total cattle slaughter equal to or above last winter.

The Department of Agriculture announced on January 8 that dairy support prices will be unchanged for the new marketing year which begins April 1. Prices of most dairy products had declined to near the equivalent of support levels by early January as production increased seasonally.

Egg prices in early January were drifting downward under pressure of seasonally increasing supplies. Recent prices and the generally disappointing 1959 experiences of egg producers will likely lead to a reduced hatch of replacement chicks this spring and, consequently, to some recovery in egg prices as the year proceeds. Broiler prices in early January were higher than in most of 1959; marketings will continue below a year earlier through February.

Soybean prices to farmers during the heavy harvesting months of October-December averaged about 4 cents higher than a year earlier and 12 cents above the support rate.

Feed grain prices in mid-December averaged 4 percent lower than a year earlier. They probably will continue a little lower than in the corresponding period of 1959 through the first half of this year.

Domestic disappearance and exports of wheat in 1959-60 are expected to total about the same as last year. This indicates that the carryover July 1, 1960 will total about 1,350 million bushels, compared with 1,279 million a year earlier.

Total production of winter season vegetables is expected to be 9 percent larger than a year earlier, and prices received by growers during the next 4 to 6 weeks probably will average at least moderately lower than a year earlier.

Exports of cotton in the current season are expected to total at least 6 million bales compared with 2.8 million in 1958-59.

Marketings of the 1959 crop of burley tobacco have been completed. Auction prices through mid-January averaged 60.3 cents per pound, compared with the record 66.1 cents of last season.

U. S. FEDERAL BUDGET 1960-61

The President transmitted the budget of the United States for fiscal year 1961 to the Congress on January 18, 1960. Receipts are estimated to total \$84 billion and expenditures \$79.8 billion, resulting in a surplus of \$4.2 billion. The surplus for the current fiscal year, 1959-60, is estimated at \$.2 billion compared with a large deficit of \$12.4 billion in 1958-59.

The improvement in the budget surplus in 1960-61 is due to a projected \$5.4 billion rise in receipts. The estimates assume a high and a rising level of economic activity in calendar year 1960 with total gross national product expected to reach about \$510 billion compared with \$480 billion in 1959, with a considerable rise in personal incomes and corporate profits. Budget expenditures are expected to rise \$1.4 billion between 1959-60 and 1960-61. Most of the increase in expenditures is expected in the agriculture and agricultural resources, veterans services and benefits, interest, international affairs and finance and general Government functions. Major national security programs, which in 1960-61 will account for 57 percent of total expenditures, are expected to hold at the estimated 1959-60 level of \$45.6 billion. Economic aid and other international expenditures are expected to increase slightly to \$2.2 billion due to larger disbursements by the Development Loan Fund.

Expenditures for agriculture and agricultural resources in fiscal year 1961 are expected to total \$5.6 billion, up \$510 million from 1959-60. Most of the recent year-to-year changes in expenditures for agriculture and agricultural resources reflect variations in expenditures for programs to stabilize farm prices and farm income. In 1960-61 the cost of these programs is estimated at \$3.9 billion, up \$450 million over 1959-60. The higher estimate for 1960-61 reflects the residual effects of the large 1958 and 1959 crops and assumes that 1960 crop yields of price supported commodities will be in line with recent averages. Also, exports of farm commodities in fiscal year 1961 may be down somewhat from a high level expected in 1960.

Table 1.--Budget receipts and expenditures by function 1957-1961

(Fiscal years ending June 30)

Item	: 1957 :	: 1958 :	: 1959 :	: 1960 <u>1/</u> :	: 1961 <u>1/</u> :
	: Bil.	: Bil.	: Bil.	: Bil.	: Bil.
	: <u>dol.</u>	: <u>dol.</u>	: <u>dol.</u>	: <u>dol.</u>	: <u>dol.</u>
Budget receipts:	:	:	:	:	:
Individual income taxes	: 35.6	34.7	36.7	40.3	43.7
Corporation income taxes	: 21.2	20.1	17.3	22.2	23.5
Other taxes and miscellaneous receipts	: 14.2	14.3	14.3	16.1	16.8
Total receipts	: 71.0	69.1	68.3	78.6	84.0
Budget expenditures:	:	:	:	:	:
Major national security	: 43.3	44.1	46.4	45.6	45.6
Interest	: 7.3	7.7	7.7	9.4	9.6
Veterans services and benefits	: 4.8	5.0	5.2	5.2	5.5
Labor and welfare	: 3.0	3.4	4.4	4.4	4.6
Other	: 11.0	11.7	17.0	13.8	14.5
Total expenditures	: 69.4	71.9	80.7	78.4	79.8
Budget surplus (+) or deficit (-)	: +1.6	-2.8	-12.4	+2	+4.2
	:	:	:	:	:

1/ Estimate.

Bureau of the Budget.

GENERAL BUSINESS CONDITIONS

Industrial production increased rapidly in December and the revised index at 165 approached the high of mid-1959. Employment picked up and the unemployment rate declined to the lowest level since mid-1959.

Personal Income Higher

Personal income rose to an annual rate of \$390.7 billion in December, \$3.8 billion above the \$386.9 billion level in November. For 1959 personal income averaged \$380.1 billion up 6 percent from the \$359 billion in 1958. Most of the rise in December was due to a \$3.1 billion increase in wage and salary payments, reflecting some lengthening of the workweek, higher employment, and a rise in average hourly earnings. Factory workers' average hours rose to 40.5, compared with 39.9 in November and average hourly earnings increased to \$2.26. This resulted in average weekly earnings of \$91.53 compared with \$88.98 in November and \$88.04 a year earlier. In addition, in December interest payments increased and contributed to the rise in income.

Since 1947 salary workers (executive, professional and technical, purchasing, selling and office workers) have accounted for an increasing proportion of total manufacturing wage and salary payments. During this period, the number of salary workers in manufacturing increased $1\frac{1}{2}$ million or about 50 percent compared with little change in the number of wage earners. Total payrolls of salaried workers in the first half of 1959 were about a third of total wage and salary payments. The rising importance of research has been an important factor in the increase in the number of professional and technical workers. The increasing proportion of salaried workers has tended to maintain wage and salary payments during recessions when the number of production workers are reduced.

Table 2.--Salaries, wages and number of wage and salaried workers, 1947 and 1959 with change

Item	Unit	1947	1959 <u>1/</u>	Percentage change
Payrolls, total	Bil. dol.	42.5	84.4	98.5
Wages	Bil. dol.	31.8	56.7	78.5
Salaries	Bil. dol.	10.7	27.6	157.6
Full-time equivalent employees	Mil.	15.2	16.2	6.3
Wage workers	Mil.	12.7	12.3	-3.5
Salaried workers	Mil.	2.5	3.9	56.5

1/ First six months. Data are seasonally adjusted; dollar figures are at annual rates.

Retail sales in December, seasonally adjusted, totaled \$17.6 billion compared with \$17.8 billion in November and the previous peaks in October and July, but about the same as a year earlier. Retail sales of durable goods totaled \$5.4 billion, compared with \$5.7 billion in November. Shortages of new cars reduced sales, but production and dealer sales picked up during the last half of the month. Sales of nondurable goods stores in December, seasonally adjusted, reached a new record of \$12.2 billion, up a little from November and 4 percent above a year earlier. Sales of food stores in December were 6 percent above a year ago although prices were about 1 percent lower. Department store sales reached 151 (1947-49=100), seasonally adjusted, in December compared with 145 in November and 143 a year ago.

Construction Up in December

The value of new construction in 1959 rose 11 percent from 1958 to \$54.3 billion due to a rapid rise during the first five months of the year. Most of the increase was in private construction which totaled \$38.3 billion compared with \$33.5 billion in 1958. A sharp increase in private residential outlays accounted for nearly all the increase. Construction outlays have been declining since May with cutbacks in both public and private outlays, but in December they picked up some from the low for the year in November. New nonfarm housing starts in December were at an annual rate of 1,310,000, up from the low for the year of 1,180,000 in October but 8.5 percent below a year earlier.

Employment Higher in December

The labor markets improved materially in December. Civilian employment, seasonally adjusted, reached 66.2 million, up 800,000 from November and 1,700,000 from a year ago. For 1959, as a whole, employment averaged 65.6 compared with 64.0 million in 1958. Nonagricultural employment increased from 58.1 million in 1958 to 59.7 in 1959, reflecting the recovery from the 1957-58 recession. The AMS estimates of workers on farms averaged a little less in 1959 than 1958.

From November to December nonfarm employment, seasonally adjusted, rose 286,000 with practically all the increase in durable goods industries. Increases were marked in the transportation equipment (automobiles) group along with smaller gains in other large steel using groups such as fabricated metal products and machinery.

Unemployment dropped in December as employment improved. In 1959 unemployment averaged 3.8 million compared with 4.7 million in 1958. The seasonally adjusted unemployment rate declined to 5.2 percent of the civilian labor force in December, the lowest since July when the rate was 5.1 percent.

Industrial Output Rises

The Federal Reserve Board announced in December that it had incorporated major new revisions and additional groupings in its index of industrial production. The revised index shows a higher rate of growth, particularly in the postwar period. It also indicates that cyclical movements have been understated by the old series, especially since 1952. Not only does the revised index provide a more accurate measure of the nation's industrial output but in addition it lends itself well to analyses of cyclical and growth developments.

The more important changes in the industrial production series consist of expanding the index to include coverage of electric and gas utility output, and the use of weights reflecting the relative importance of each industry in 1957 instead of 1947. In addition to the revised indexes, the Federal Reserve Board will publish output indexes which combine industrial production according to market groupings-consumer goods, equipment (including defense), and materials. It is primarily for these groups that new seasonal adjustment factors have been developed.

Industrial production at 165, seasonally adjusted, in December approached early summer levels as the Federal Reserve Board's revised index climbed 9 points over November and was 9 percent above December 1958. Largely responsible for the year's end upsurge was a 11½ percent increase in production of durable goods. Automobile production nearly doubled between November and December but was still a little below the 537,000 units produced in October. In addition, output of the metal fabricating and machinery groups rose. Non-durable goods production at 157 was about the same as November, but 7 percent above a year ago.

Table 3.--Total industrial, manufacturing, mining and utilities production
(Seasonally adjusted, 1947-49=100)

Year	Total industrial production	Manufacturing			Mining	Utilities
		Total	Durable	Nondurable		
1956	151	150	162	139	132	218
1957	152	150	162	141	132	233
1958	141	139	141	141	120	244
1959	159	158	165	155	125	268
Oct.	155	154	155	156	120	275
Nov.	156	154	156	157	125	277
Dec.	165	164	174	157	129	283

Federal Reserve Board.

Credit Continues
Tight

The demand for funds rose at a somewhat slower pace during the last half of 1959 than in the first 6 months. Consumer installment credit totaled \$38.7 billion at the end of November, up \$5.4 billion from a year earlier. Because of the small number of new automobiles available for sale, the rise in November was smaller than the average increase of half a billion dollars for the previous seven months. The volume of mortgage financing continued to increase in late 1959, and the total volume of mortgage debt outstanding on nonfarm 1-to-4- family houses totaled \$128.5 billion at the end of September compared with \$114.7 billion on the same date a year earlier. Gross Federal, State and local Government borrowings in the third quarter of 1959 were running a little below the same period a year earlier.

Business borrowing from commercial banks which increased sharply in early 1959 tapered off during the fall, reflecting the change in the inventory situation from rapid accumulation of inventories to a small liquidation in the third quarter. Long-term borrowing by business in 1959 was below a year earlier. The large volume of working capital (the excess of current assets over current liabilities) which totaled \$126.9 billion in the third quarter up \$9.8 billion from a year earlier was a major factor in the decline in borrowing. Corporate profits were at a rate of \$52.6 billion in the second quarter of 1959 compared with \$33.6 billion a year earlier and retained earnings were up from \$4.5 billion in the second quarter of 1958 to \$14 billion a year later.

Federal Reserve credit and other transactions, which influence the volume of member bank reserves, increased a little in the last six months mostly to meet normal seasonal needs. Member bank borrowings exceeded excess reserves during the last half of 1959 by close to half a billion dollars compared to free reserves ranging from a half a billion dollars in July 1958 to \$20 million in November 1958. Tight credit conditions continued in the last half of 1959. The Federal Reserve discount rate was raised to 4 percent in September. With the demand for credit concentrated in short term funds, yields on 3-month Treasury bills rose from 3.2 percent in July to 4.5 percent in mid-December, and prime bankers acceptances (90 days) increased from 3.45 percent in July to 4.25 percent at the end of November. The rise in long-term bonds was smaller; for example corporate bonds (Moody's Aaa) yielded 4.56 percent in the week ended December 12 compared with 4.47 percent in July.

Recent Developments in the
U. S. Balance of Payments

During the third quarter of 1959, the record outflow of gold and dollars from the United States seems to have been stemmed, although net transfers to foreign countries remained at an annual rate in excess of \$4 billion. Exports of goods and services during July-September, seasonally adjusted, were at an annual rate of \$24.7 billion, \$2 billion above the

previous quarter, and \$1 billion from a year earlier. This was the first major reversal of the 2-year downward trend in exports. Of the \$2 billion rise from the second quarter, 85 percent represented merchandise exports and of this about one-third was in agricultural commodities.

Imports of goods and services during July-September remained at the second quarter annual rate of \$23.9 billion, in contrast with recent substantial advances. Merchandise imports set a new record rate of \$15.8 billion in the third quarter. The rise of \$100 million from the second quarter rate reflected the impending dock strike and some other special factors.

Recorded capital movements about balanced out in the third quarter of 1959. The continued high outflow of gold and dollars despite the rise in the export surplus is believed to have reflected payments made in the third quarter for certain second quarter transactions. This marked the improvement which took place in the third quarter, but a visible decline in the gold and dollar outflow is in prospect during coming months.

It should be noted that only about $12\frac{1}{2}$ percent of the third quarter deficit was paid in gold, compared with over 25 percent in the second quarter; high interest rates made it profitable for foreign holders of dollar balances, including international institutions, to maintain and increase their ownership of U. S. Government securities. As of September 30, holdings of short-term U. S. Government obligations (Treasury bills and certificates) by foreign banks and official institutions amounted to $\$8\frac{3}{4}$ billion of which about 30 percent was held by international agencies. This was an increase of \$2.9 billion since December 31, 1958. Further accumulations have occurred in recent months.

During 1950-57 the average annual outflow of gold and dollars from the United States was \$1.3 billion, in contrast with the \$4 billion estimated for 1958-59. Throughout the decade, the major cause of fluctuations in the balance of payments was changes in export receipts; imports showed a steady upward trend. The recent sharp outflow of gold and dollars has likewise been due to a decline in the export balance from an average of \$5.2 billion during 1950-57 to virtually zero in the first quarter of 1959. This has raised questions as to the competitiveness of the U. S. economy. A recent study by the Department of Commerce of the decline in the merchandise trade surplus indicates that for most groups of commodities the U. S. competitive position is strong.

It was found that a large part of the recent decline in the U. S. export balance was due to temporary factors including the inventory recession and surplus capacity in foreign industrial countries, balance of payments difficulties in foreign raw material exporting countries and the steel strike in the United States. Another reason for a decline in the trade balance is the renewed ability of major prewar exporters--Japan, Germany and Italy--to produce competitive manufactured goods for export. Currently an upward

pressure on costs in these countries has been noted. For some commodities, notably fuels and some consumer goods, recent declines continue the long-term downward trend in U. S. net exports. Furthermore, certain shifts in trade result from the large and continuing postwar U. S. private investment in foreign productive capacity. U. S. manufacturers tend to import from their foreign affiliates, and goods formerly exported by domestic companies are now being produced or assembled abroad.

The near record quarterly rise in exports during July-September 1959 bears out the temporary nature of part of the trade decline, even though about a third of the rise in seasonally adjusted exports was in food and feed. Relatively the greatest increase, about half of the total, was in raw and semi-manufactured industrial commodities; chemical products continued to advance, scrap iron exports were high. Exports of manufactures showed the smallest increase, although exports in the machinery and automotive group advanced and exports of civilian aircraft began the pick-up which is expected to last throughout 1960.

With the emerging boom abroad foreign demand is expanding and the outlook is for a further gain in U. S. exports and a decline in U. S. imports. There appears to have been a further small increase in the trade surplus in the fourth quarter of 1959 when cotton exports began the expected sharp rise. But part of the improvement in the U. S. trade balance that had been expected for the turn of the year may have been postponed by the length of the steel strike.

Despite the expected re-expansion in the trade surplus to about \$2.5 billion, the deficit in the balance of payments in 1960 may remain well above the average of the previous decade--reflecting a continued heavy outflow of U. S. private and government capital. A long-term improvement will depend on measures now under consideration by Governments including a greater sharing of the defense and foreign aid burden of the United States and reduction of foreign restrictions against U. S. goods. American industry is also becoming increasingly aware of the need for special selling efforts, including tailoring of products to foreign demand. On basis of price alone, there are strong indications that most U. S. producers will continue to be able to compete effectively.

Recent Price Trends

Price levels have been fairly stable since the low point of the 1957-58 recession began in April 1958, primarily because of the sharp decline in prices of farm products. Wholesale prices in November 1959 were a little lower than in April 1958, but those of urban consumers averaged more than 1 percent higher. Within the general stability of the indexes there have been a number of significant changes in prices. The most important is the sharp decline in prices of farm products and offsetting increases in durable goods, and services.

Table 4.--Consumer price index, prices paid for family living and
wholesale prices for selected items, with comparisons
(1947-49=100)

Items	April 1958	November 1959	Percentage change November 1959 from April 1958
Consumer prices:			
All items	123.5	125.6	1.7
Food	121.6	117.9	- 3.0
All items less food	125.0	129.5	3.6
Nondurables less food	116.6	119.8	2.7
Apparel	106.7	109.4	2.5
Durables	109.6	114.1	4.1
New cars	131.5	144.3	9.7
Services	142.1	147.6	3.9
Rent	137.3	140.5	2.3
Transportation services	173.5	182.2	5.0
Medical care services	147.2	158.8	7.9
Prices paid by farmers:			
Family living items	118	119	.8
Food and tobacco <u>1/</u>	119	115	- 3.4
Wholesale prices:			
All commodities	119.3	118.9	- 0.3
Durable goods	141.9	146.7	3.4
Construction materials	129.0	134.6	4.3
Machinery and motive products	149.4	153.7	2.9
Agricultural machinery	138.8	144.7	4.3
Machinery and equipment	155.0	160.0	3.2
Metals and metal products	148.6	155.8	4.8
Steel mill products	183.1	188.3	2.8
Nondurable goods	107.1	103.7	- 3.2
All foods	111.2	102.6	- 7.7
Textile products and apparel	93.7	96.3	2.8
Rubber and rubber products	144.5	145.1	.4
Chemicals and allied products	111.0	110.0	- 0.9

1/ March and September indexes used.

Department of Labor and Department of Agriculture, AMS.

Food prices which account for about 30 percent of the urban consumer price index, were down 3.0 percent reflecting increasing supplies of vegetables, fruits and meats since early 1958. Gains were recorded in all of the other groups and nonfood prices were up 3.6 percent. Most of the increase in durable goods prices to consumers were for new and used automobiles, with only small increases in other durable goods. Prices of nondurable goods other than food have held fairly steady but recently the demand for apparel has pushed prices up some. The cost of services has continued its postwar uptrend since April 1958. Further gains in costs of the expanding volume of medical services, public transportation, and private and rental housing construction have all contributed to the increase.

The cost of family living items purchased by farmers was unchanged between mid-1958 and the end of 1959. The pattern was the same as with urban consumer prices where lower prices of food of about $3\frac{1}{2}$ percent offset increases in the other groups.

Wholesale prices of nondurable goods declined 3 percent between April 1958 and November 1959, as reductions of over 12 percent in farm products and about half as much in processed foods more than offset increases in other nondurable goods. Prices of textiles and leather products, up 2.8 and 12.0 percent respectively, reflected improved consumer demand. Petroleum prices declined under pressure of heavy supplies. The prices of durable goods increased over 3 percent during the present recovery. Metals, machinery and related products registered above average increases. Prices of agricultural machinery including tractors were up $4\frac{1}{2}$ percent at wholesale and over 8 percent in the prices paid index. Construction materials reflecting the rise in volume of building activity increased with lumber and products up the most.

The index of prices received by farmers in December, at 228 (1910-14=100), was down 11 percent from 257 in March-April 1958, when the index was the lowest since early 1953. The downtrend reflects increased supplies of hogs, chickens and eggs, fruits and vegetables, and some reduction in price support levels.

From November to December, prices received by farmers declined 1 percent. Prices of meat animals dropped 4 percent with hogs averaging a dollar per cwt. below November. Cattle and calves were down a little with sheep up slightly. Increases in broilers and turkeys offset seasonal declines in eggs. Vegetable prices increased sharply and were 17 percent above a year earlier reflecting smaller supplies available in December 1959.

The prices paid by farmers for commodities and services including interest, taxes and farm wage rates held steady in December at 297, the same as in the previous month but slightly above a year earlier. In the last year and a half substantial declines in feeder livestock and moderate declines in food and feed were more than offset by increases in clothing, farm machinery, motor vehicles, building and fencing materials and interest, taxes, and farm wage rates. The overall stability of prices paid by farmers reflects continued weakness in prices originating in the farm sector which are just about offset

by gains in prices which originate outside of farming. With declining prices received and stable prices paid, the parity ratio at 77 in December compared with 83 a year earlier and 87 in April 1958.

WORLD AGRICULTURAL PRODUCTION AND U. S. FARM EXPORTS

World agricultural production in 1959-60 will equal the record level of last year, according to estimates by the Foreign Agricultural Service. ^{1/} Since 1935-39 farm output has risen by more than one-third resulting in a 5 percent increase in per capita supplies. The increase has been about evenly divided between food and other agricultural commodities. Excluding the Communist bloc, the rise in aggregate output is even higher. Between 1935-39 and 1959 year the 65 percent rise in U. S. farm output was about equalled in Latin America and Western Asia, while in other areas the relative figures ranged from a low of 31 percent in the Far East to 48 percent in Oceania. In many foreign countries where war damage was severe and postwar readjustment was hindered, total production did not reach prewar levels until about 1950, with the greatest improvement occurring in the past 5 years. In the Far East per capita output will not approach the 1935-39 average until this year. Larger production is also expected this year in North America and Africa, but these will be more than offset by drought-induced declines in Northern Europe and other important producing areas.

Foreign production of commodities which account for 3/4 of total U. S. agricultural exports has risen less than overall farm output, with the exception of cotton. U. S. net exports of most of these commodities have been larger in recent years than when foreign production was well below its current levels. Furthermore, in 1959-60 foreign exportable supplies of the major U. S. export commodities is expected to decline, (table 5). Foreign stocks of most of these commodities are also lower.

The near record volume of farm exports forecast for 1959-60 was predicated on these supply conditions, the high level of economic activity and income abroad, record foreign dollar resources and some trade liberalization, and on continued Government assistance to exports of surplus U. S. commodities. In fact, agricultural exports during the first half of the current fiscal year were about 14 percent above a year earlier even though substantial cotton exports first appeared in November. It appears likely that exports will continue at this improved pace and will total about \$4.2 billion in 1959-60. In terms of volume exports will be about 20 percent above last year and will approach the record level of 1956-57.

^{1/} The World Agricultural Situation in 1960.

Table 5 .--U. S. and Foreign Production of selected commodities, crop years,
and U. S. net exports, fiscal years 1935-60
(Million short tons)

Item	: : 1935-39 : : average : :	: : 1945-49 : : average : :	: : 1950-54 : : average : :	: : 1957-58 : :	: : 1958-59 : : 1/ : :	: : 1959-60 : : 2/ : :
Wheat and rye	:	:	:	:	:	:
U. S. production	: 24.1	: 36.7	: 33.4	: 29.3	: 44.8	: 34.1
Foreign production	: 242.4	: 183.0	: 216.8	: 240.0	: 257.6	: 247.2
Total production	: 266.5	: 219.7	: 250.2	: 269.3	: 302.4	: 281.3
U. S. net exports <u>3/</u>	: 1.7	: 12.3	: 9.5	: 11.8	: 13.1	: 13.0
Corn, Barley and Oats	:	:	:	:	:	:
U. S. production	: 87.2	: 114.1	: 114.5	: 127.1	: 140.5	: 150.3
Foreign production	: 172.3	: 149.9	: 175.0	: 195.9	: 212.1	: 202.6
Total production	: 259.5	: 264.0	: 289.5	: 323.0	: 352.6	: 352.9
U. S. net exports <u>3/</u>	: .7	: 2.7	: 2.6	: 7.2	: 8.6	: 8.9
Tobacco, all kinds	:	:	:	:	:	:
U. S. production	: .7	: 1.0	: 1.1	: .8	: .9	: .9
Foreign production	: 2.6	: 2.4	: 2.8	: 3.5	: 3.3	: 3.3
Total production <u>4/</u>	: 3.3	: 3.5	: 3.9	: 4.3	: 4.2	: 4.2
U. S. net exports <u>4/</u>	: .2	: .2	: .2	: .2	: .2	: .2
Cotton, all kinds	:	:	:	:	:	:
U. S. production	: 3.1	: 2.8	: 3.3	: 2.6	: 2.7	: 3.5
Foreign production	: 4.3	: 3.2	: 5.7	: 7.2	: 7.7	: 7.5
Total production	: 7.4	: 6.0	: 9.0	: 9.8	: 10.4	: 11.0
U. S. net exports	: 1.2	: .8	: .9	: 1.3	: .6	: 1.5
Fats and Oils <u>5/</u>	:	:	:	:	:	:
U. S. production	: 3.4	: 5.3	: 6.0	: 7.1	: 7.0	: 7.8
Foreign production	: 19.9	: 16.6	: 20.2	: 24.2	: 24.9	: 25.8
Total production	: 23.2	: 21.8	: 26.1	: 31.3	: 31.9	: 33.6
U. S. net exports	: - .9	: .1	: .8	: 1.6	: 1.7	: 2.0

1/ Preliminary.

2/ Estimated.

3/ Includes products and preparations.

4/ Production in farm sales weight, trade in export weight.

5/ Oil equivalent basis, including fish oil and oilseeds.

LIVESTOCK AND MEAT

The period of seasonally large livestock marketings and declining prices has passed. Slaughter this winter will be down from recent months but above last winter. Continued liberal marketings of fed cattle will hold total cattle slaughter equal to or above last winter. Slaughter of hogs will decrease, as usual, but will stay above last year. However, the difference between this year's hog slaughter and the 1959 rate will narrow sharply and by spring slaughter could be close to year-earlier levels. Sheep and lamb slaughter this winter will likely be less than the relatively large slaughter of last winter.

The 1959 fall pig crop was up 2 percent and producers planned December 1 to reduce the spring crop sharply--11 percent. The planned reduction was somewhat greater for early farrowings. On December 1 producers in 9 of the Corn Belt States reported the number of hogs over 6 months of age, excluding the number of sows intended for spring farrowings, was about 8 percent larger than a year earlier. The number of pigs 3 to 6 months of age was up 2 percent. This indicates that hog slaughter during the early part of 1960 will be above 1959 but by the end of the year will be substantially less than the previous year.

Prices received by farmers for hogs reached a seasonal low of \$11.20 per 100 pounds in mid-December, down \$6.30 from a year earlier. Market prices were relatively steady in late December but a seasonal increase is now underway. This probably will be followed by a downturn later when marketings from the fall pig crop are largest but a strong seasonal rise is likely in late spring. Prices of hogs during the last half of 1960 will likely be above 1959.

Cattle slaughter was above a year ago in the final 2 months of 1959 after lagging behind a year earlier for approximately 2 years. Calf slaughter in commercial plants was also near the previous year's rate for the first time since the fall of 1957. These developments reflect a continued high rate of fed cattle marketings plus some slackening in withholdings for herd expansion. Fed cattle will make up the bulk of slaughter supplies this winter and spring and will continue large throughout the year. However, marketing of grass cattle next summer and fall will likely be moderately larger than during these seasons in 1959.

Sheep and lamb slaughter has been significantly larger than a year earlier since July. As the 1959 lamb crop was up only 2 percent, slaughter this winter is expected to drop below last winter. Price advances will be moderated by liberal supplies of competing meats, but prices should soon rise seasonally up to or a little above last winter.

Consumers will pay less for pork, and probably a little less for beef, this winter than last. Late in 1960, retail pork prices will likely be above year-earlier prices, but beef will continue at or a little below a year earlier.

Imports of meat, largely for processing, were record large in 1959 though in the final quarter they were below a year earlier. Imports will probably continue large during 1960 but below 1959 levels. Domestic production of the classes imported is not expected to increase greatly. The Tariff Commission is investigating the effects of increased imports of lamb and mutton and sheep and lambs.

During the fall period of heavy marketings in late 1959, the Department of Agriculture purchased approximately 70.2 million pounds of meat products with about \$30.8 million of Section 32 funds which the Congress had directed be used to procure supplies for the National School Lunch program. Purchases include 18.5 million pounds of ground pork, 27.0 million pounds of canned pork and gravy, 24.3 million pounds of ground beef and 0.4 million pounds of ground lamb.

DAIRY PRODUCTS

Most dairy product prices declined to near the equivalent of support levels by early January as production increased seasonally. Prices for a number of items, particularly butter, cream and more recently cheese, were above the equivalent of supports for several months, beginning in late August 1959. Support levels will be unchanged for the new marketing year which starts April 1.

The rise in prices in late summer and fall reflected a seasonal decline in milk output below quantities which would have been demanded at support levels. Prices in mid-December turned downward following a seasonal upturn in milk flow. The increase above supports was the largest and most sustained since 1952, as a result of a closer overall balance on an annual rate basis between milk production and total demands. Milk production adjusted downward slightly in 1958 and 1959, reflecting in large part, high beef prices relative to milk prices. Output of milk per person dropped to a record low in 1959 of 702 pounds, compared with 793 pounds in the 1947-49 period.

Little change in milk production is likely in 1960 as compared with 1959. However, economic conditions influencing milk production shifted somewhat in recent months in a way to possibly encourage greater milk output within the next 1 to 3 years. The rise in prices above support last fall helped give dairy farmers renewed confidence of the future. But more important have been declines within the past year in prices for feed, hogs and beef cattle.

Expanding consumer incomes have helped support a steady demand for most dairy products and increased demand for some, particularly the fluid items.

Support prices for milk and butterfat for the next marketing year will be the same as in the two preceding years, the longest period that support levels have been unchanged since support has been announced in advance of the marketing season. Support for manufacturing milk will be \$3.06 per hundred pounds, 77 percent of the parity equivalent as of December 1959. The butter-

fat support will be 56.6 cents per pound, 77 percent of parity. In the calendar year of 1959 purchases amounted to 2.5 percent of milkfat produced and 6.8 percent of solids-not-fat, both down considerably from 1958. Purchases of milkfat were the smallest since 1952.

POULTRY AND EGGS

Broiler and turkey prices at the beginning of 1960 were notably higher than average prices for those commodities during most of 1959, but egg prices were weak, and drifting downward under pressure of seasonally increasing supplies. The Department of Agriculture resumed its purchase program for dried egg solids in the second week of January.

At 30.7 cents per dozen in mid-December, egg prices were down slightly from November, and sharply lower than the year before. Most price changes in wholesale markets since mid-December have been downward. The recent prices and the generally disappointing 1959 experiences of egg producers are likely to lead to a reduced hatch of replacement chicks this spring, and to some recovery in egg prices as the year progresses into summer and fall.

Hatchings of replacement chicks in recent months have been below the year before--in December, by 30 percent. January 1 eggs in incubators were 26 percent below last year. If hatchery output continues below last year, springtime demand for eggs for storage will be encouraged. Prices after mid-spring are likely to exceed year-earlier levels, even before the reductions in the hatch are fully reflected in the size of the national laying flock.

Monthly production of eggs fell below a year earlier in the last two months of 1959, and is likely to remain lower in practically all of 1960. The January 1 number of layers--315 million--was 4 percent below last January 1, the decline slightly more than offsetting the increase of almost 4 percent for the same data in rate of lay per bird.

Broiler prices rose sharply early in December, and the mid-month average of 17.6 cents per pound was the highest in 15 months. Despite some decline from the recent peaks, prices in early January remained higher than in most of 1959. Settings of broiler-type eggs in incubators in recent weeks have turned upward from last year, reversing an 8-month trend. Through February, however, broiler marketings will continue below last year.

Turkey prices to farmers in mid-December were the highest since early 1956, and markets have been steady since then. In a January survey growers indicated that they would produce 6 percent more turkeys in 1960 than last year. Plans for a 12 percent increase for heavy breeds more than offset a prospective 18 percent decrease for light breeds.

OILSEEDS, FATS AND OILS

Soybean prices received by farmers during the heavy harvesting months of October-December 1959 were relatively stable, averaging \$1.97 per bushel, 12 cents above the support rate and 4 cents higher than a year earlier. A reduction in foreign exportable supplies brightens the export prospects for U. S. beans and edible oils, and any further tightening of world supplies of oilseeds, fats and oils could spark a soybean price rise.

Soybean crushings in October-December 1959 (December estimated) totaled 102 million bushels compared with 101 million bushels a year ago. Based in part on inspection data, soybean exports from October through early January are placed at 59 million bushels, about 15 million above the previous record achieved in the same period last year. For the entire marketing year crushings are expected to total 400 million bushels or more and exports to set a new record of about 125 million bushels. These estimates indicate a carryover of around 40 million bushels on October 1, 1960, down about a third from starting stocks.

Soybean oil prices (crude, Decatur) averaged 8.1 cents per pound during October-December 1959, down nearly 2.0 cents from last season and the lowest level in nearly two decades. Oil prices during the remainder of the 1959-60 marketing year probably will continue below the year earlier level and likely will average somewhat less than the 9.5 cents per pound in 1958-59.

Domestic demand for soybean oil in 1959-60 is expected to continue strong even though cottonseed oil and lard supplies are up sharply this year. However, exports of soybean oil likely will be down from last season's record level, mainly because of reduced shipments under the P. L. 480 program. Output of olive oil in Spain, the major taker of bean oil under P. L. 480, is expected to be up about a third from last year. On the other hand, exports of edible oils for dollars probably will be higher than last year.

The recent advances in European peanut oil prices due to smaller supplies from Africa enhances the competitive position of U. S. edible oils and likely will boost our 1959-60 dollar exports. Furthermore, typhoon damage has reduced the Philippine copra crop, so it is likely that exports of coconut oil to Europe may not increase from last year's relatively low level. The tightening in the supply of fats and oils from sources outside the United States means that importing countries will need to rely more on the United States as a supplier because we are the only major producer with larger quantities available for export.

Lard output in 1959-60 is now forecast at 2,850 million pounds, about 5 percent more than last year. Lard prices (tanks, loose, Chicago) during October-December averaged 7.5 cents per pound, about 3.0 cents below the previous year. Prices bottomed out in December-January at about 7.0 cents per pound and probably will rise slightly over the rest of the marketing year. Production will decline seasonally and disappearance is expected to continue

high. Domestic use of lard in 1959-60 is expected to increase slightly with the gain going into the manufacture of shortening. Exports and shipments are expected to reach 750 million pounds, 25 percent more than last year and the most since the 1951 marketing year. A big part of the increase will go to the United Kingdom.

FEED

Feed grain prices this winter continue to be influenced by the size of the 1959 crops and the lateness of corn harvest. Prices of corn and sorghum grains, which are in record supply, have been relatively low this winter compared with prices of oats and barley, supplies of which are down from last year. The delay in harvesting corn, due to wet weather, especially in the Corn Belt, has been a factor in the decline in corn prices into December, when the price received by farmers averaged 96 cents per bushel, 6 cents lower than a year earlier. From mid-December to early January, the price of No. 3 Yellow corn at Chicago advanced about 5 cents per bushel indicating that the low for the 1959-60 season may be passed.

Sorghum grain prices received by farmers averaged \$1.50 per 100 pounds in December, slightly below the national average support level and 18 cents below a year earlier. Barley prices were a little lower than a year ago, while oats prices averaged well above, reflecting the small 1959 crop. The index of average prices received by farmers for feed grains in mid-December was 4 percent lower than a year earlier. Feed grain prices probably will continue a little lower in the first half of 1960 than in that period of 1959.

Prices of most of the high-protein feeds averaged lower in December and early January this year than in that period last year, when they reached the highest level for the 1958-59 season. The index of wholesale prices was 11 percent lower in the first half of January, with the greatest decline in animal protein feeds.

The total supply of feed grains and other concentrates for 1959-60 is estimated at 263 million tons, 7 percent more than in 1958-59 and 35 percent over the 1953-57 average. With the prospective drop in the 1960 spring pig crop, the number of grain-consuming animal units to be fed in 1959-60 is expected to be about the same as the 1958-59 level of 170 million animal units. Even with continued liberal feeding per animal unit, the carryover of feed grains into 1960-61 is expected to be nearly a fifth larger than the 67 million tons carried over into 1959-60.

Through December farmers had placed 122 million bushels of corn under price support, 13 million more than a year earlier, but less than in some other recent years. The movement of corn under support has been delayed by high moisture and late harvesting in the Corn Belt. Smaller quantities of oats, barley and sorghum grains were placed under price support, than a year earlier, reflecting smaller crops and lower support prices for these grains.

WHEAT

Cash wheat prices on January 19 were generally at or close to the high for the marketing year to date. Compared with the season's lows, prices for dominant classes and grades were up about 20 cents at Kansas City and St. Louis and 8 to 12 cents at Minneapolis and Portland. Prices at terminals on January 19 were generally up slightly from mid-December.

On January 19, the price of No. 1 Soft White at Portland at \$2.02 was 2 cents above the effective loan, while that of No. 1 Dark Northern Spring, ordinary protein, at Minneapolis at \$2.16 was about at the effective support. The price of No. 2 Soft Red Winter at St. Louis at \$2.06 was 2 cents below the effective support and that of No. 2 Hard Red Winter, ordinary protein, at Kansas City at \$2.04 was 4 cents below.

Growers had placed 257.7 million bushels of 1959-crop wheat under the price support program through December 31, 1959. On the same date a year earlier, 489.1 million bushels of 1958-crop wheat were under support. Two years ago, 209.6 million bushels of 1957-crop wheat had been put under through January 15. Later in the 1959-60 marketing year, substantial quantities of loan wheat will need to be redeemed to cover requirements for domestic use and free-market exports.

Supplies of wheat for the marketing year, which began July 1, 1959, totaled a record 2,415 million bushels. This is about 65 million bushels, or 3 percent, above the previous record a year earlier and about 545 million bushels, or 29 percent, above supplies 2 years earlier. Total supplies include the carryover of 1,279 million bushels, the crop estimated at 1,128 million bushels and probable imports of about 8 million bushels, mostly of feeding quality and seed wheat. Domestic disappearance in 1959-60 is expected to total about 625 million bushels. Exports are now expected to total about 440 million bushels. These estimates of supply and disappearance indicate that the carry-over July 1, 1960 will total about 1,350 million bushels. This would be 6 percent above the 1,279 million bushels on July 1, 1959.

A 1960 winter wheat crop of 926 million bushels is indicated, based on conditions as of December 1 and other factors. A crop of this size would be only 2 million bushels larger than the previous year, a sharp 21 percent less than the record crop of 1958, but would still be the fifth largest crop of record and 11 percent above average.

If it is assumed that the farmers will seed about the same acreage to spring wheat as the 13.4 million acres in 1959, and that average yields over the past 3 years of 19.1 bushels to the acre are obtained, a spring crop of about 260 million bushels would be produced. Adding this to the indicated winter wheat crop, a total production of nearly 1,200 million bushels would be indicated.

FRUIT

Among 1959-crop fresh deciduous fruits remaining to be marketed after January 1, 1960, supplies of apples and pears are lighter than a year earlier but those of grapes are heavier. Among 1959-60 crop citrus fruits, remaining supplies of grapefruit and tangerines are lighter than a year ago, those of winter oranges (excluding California Valencias) are not greatly different from a year ago, and lemons are a little heavier. Consumer demand for fresh and processed fruits continues strong, export prospects are more favorable than a year ago, and demand for citrus for processing will be seasonally heavy during the first half of 1960.

Year-end cold storage stocks of apples were moderately smaller, those of pears considerably smaller than comparable stocks on January 1, 1959. Much of the reduction of apples was in Washington, where production in 1959 was down sharply from 1958. Prices received by growers for apples, on a national average basis, were a little higher in December 1959 than in October and November. The latter two months often comprise a seasonally low period for the crop. Prices in December averaged moderately higher than in December 1958. In early January 1960, prices at shipping points in Washington averaged considerably above a year earlier, while Central and Eastern States prices varied around the levels of a year earlier. Auction prices for D'Anjou and Bosc pears in early January continued moderately above a year earlier.

With the Florida orange and grapefruit crops maturing a few weeks earlier last fall than in the fall of 1958, movement both to fresh markets and to processors by January 2, 1960 was somewhat heavier than comparable movement in 1958-59. As a result, remaining supplies of Florida oranges were only a little larger than a year earlier, and those of grapefruit much smaller. Prices for fresh market oranges and grapefruit at shipping points in Florida have tended to increase since the low points in November. In early January, they averaged somewhat under a year earlier. Although remaining supplies of California Navel and miscellaneous varieties of oranges in early January were somewhat smaller than a year earlier, auction prices also averaged below corresponding prices in January 1959.

Citrus districts in Southern California had freezes early in January, which caused some damage. Most damaged oranges are expected to be salvaged for processing and grapefruit in the desert areas escaped any significant injury. Damage to lemons is not fully determined, but it appears that buds, blooms, and smaller-sized lemons suffered severe damage.

Production of Florida frozen orange concentrate and most canned single-strength citrus juices was considerably heavier the past fall than comparable output a year earlier. Carryover stocks also were larger. Despite much heavier movement of some items from packers than in the fall of 1958 packers' stocks continue much above a year ago. Early-season use of Florida oranges for making chilled juice also has been somewhat heavier than a year ago.

Cold-storage stocks of frozen deciduous fruits and berries (excluding juices) were about 5 percent smaller on January 1, 1960, than a year earlier. As a result of substantial increases in the 1959 packs of canned

and dried fruits, supplies of these two classes of processed fruits are expected to be somewhat larger during the first half of 1960 than in this period of 1959.

COMMERCIAL VEGETABLES

For Fresh Market

Tender winter vegetables in Florida suffered from cold weather for the second consecutive year. Low temperatures in early December caused considerable damage to snap beans, cucumbers, green peppers, and tomatoes. The hardy vegetables such as cabbage and celery reportedly suffered only light damage. All vegetables have made good recovery from this earlier setback. Total production of winter season vegetables is expected to be 9 percent larger than a year earlier and 7 percent above the 1949-58 average. Among the more important crops, production of cabbage, carrots, lettuce and snap beans are expected to be materially larger than last winter. But prospective production of tomatoes and green peppers is down sharply, celery down materially from the large crop of last winter, and spinach at least moderately smaller. Among other items, beets, broccoli, cauliflower, cucumbers, and eggplant are expected to be in larger supply this winter than last, while sweet corn and kale promise to be in lighter supply.

U. S. production of winter season vegetables, particularly tomatoes, cucumbers, and green peppers will, as usual, be supplemented by imports from Mexico and Cuba. Early indications were that production of winter vegetables in Mexico and quantities available for import into this country would be larger than last winter; however, recent heavy rains and floods have caused an undetermined amount of damage and loss. Production in Cuba is expected to be down substantially, and imports from that country are likely to be smaller than last winter. If overall supplies of vegetables are about in line with current indications, prices received by growers during the next 4 to 6 weeks probably will average at least moderately lower than a year earlier.

For Commercial Processing

Supplies of canned vegetables are fully ample to supply markets until new pack items become available, but appear to be moderately smaller than the heavy supplies available a year ago. Among the more important items, supplies of tomatoes, tomato juice, and most tomato products, canned peas and sauerkraut appear to be moderately to substantially smaller than a year ago. But supplies of sweet corn are moderately larger than a year earlier. Stocks of frozen vegetables are close to the high levels of a year ago. January 1 stocks amounted to 845 million pounds compared with 847 million a year ago and the 1954-58 average of 772 million. Supplies of green peas, brussels sprouts, and spinach were materially larger than a year ago, and supplies of sweet corn and frozen french fried potatoes slightly larger. But supplies of asparagus, lima beans, broccoli, cauliflower, mixed vegetables, mixed peas and carrots and

"other" vegetables were substantially smaller. Prices at retail for most frozen and canned items during the next few weeks are expected to average about the same to slightly above those of a year earlier.

POTATOES AND SWEETPOTATOES

Supplies of potatoes in the early spring are expected to be somewhat smaller than the relatively heavy supplies of a year earlier. Stocks of fall crop potatoes on January 1 amounted to 97.5 million hundredweight, 6 percent above the 1950-58 average, but 10 percent below those on January 1, 1959. Production of potatoes for winter season harvest, at 3.5 million hundredweight, is 14 percent smaller than last year.

With materially smaller supplies of potatoes available, prices during the next 6 to 8 weeks both at the farm and retail levels are expected to average substantially above the low levels of early 1959.

Sweetpotato production in 1959 was about 8 percent above that of 1958. These larger beginning supplies together with unloads data in the 38 cities indicate that remaining supplies are at least moderately larger than a year ago. Demand appears to be about the same as last season, but larger supplies have kept markets under pressure. Sweetpotato markets are expected to experience some seasonal strength in the next few months, but are likely to remain below those of a year earlier.

DRY BEANS AND PEAS

Although total supplies of dry edible beans are probably close to those of a year ago, colored classes are generally in light supply. Supplies of Pinto, red kidneys, and small reds are all substantially below those of a year ago and prices have held substantially above those of last season. Although white classes are in materially larger supply than last year, a good domestic movement plus strong export demand have kept prices from falling much below year earlier levels.

Supplies of dry field peas are much larger than the light supplies of a year ago, and probably moderately above the 1949-57 average. Domestic use of dry peas in the current season is likely to be substantially larger than last season, when use for food was drastically curtailed. Also, export demand in the early part of the season has been unusually strong. So far this season, f.o.b. prices of smooth green, and wrinkled peas have averaged below those of a year earlier, but prices of white and yellow kinds have averaged higher. With prospects for a good rate of movement into both domestic and export channels, prices to growers during the next 4 to 6 months are likely to be strong.

COTTON

Exports of cotton from August 1 through November 1959 were about 1.4 million bales compared with 0.9 million bales of the same period a year earlier. Exports are expected to continue at a high rate for the remainder of the current season. Registrations under the payment-in-kind program through January 1, 1960 for shipment before August 1, 1960 were about 5 million bales. Total exports during 1959-60 probably will be at least 6 million bales compared with 2.8 million bales in 1958-59.

Domestic mill consumption of cotton is currently running at a level of around 9 million bales. With the exception of September when the rate of mill consumption was slowed down by a temporary shortage of cotton, the seasonally adjusted rate has remained at about 9 million bales since August 1, 1959. Consumption of cotton from August 1, 1959 through November 1959 was about 3.8 million bales compared with about 3.5 million bales in approximately the same period a year earlier. Consumption during the first half of 1960 probably will be at about the same rate as consumption during the first half of 1959 when it rose sharply over the last half of 1958.

The average price for Middling 1-inch cotton for January 5, 1960 at the 14 spot markets was 31.88 cents per pound. This compares with a low for the season to date of 31.59 cents approximately two months earlier and 34.84 cents per pound a year earlier. The average price received by farmers in mid-December averaged 30.03 cents per pound, .26 cents per pound below the price a year earlier. In mid-November the average farm price was 30.84 cents, 1.54 cents per pound below mid-November 1958.

Ginnings of cotton through December 13, 1959 were about 14,076,000 bales. This was about 96 percent of the estimated 1959 crop of 14,640,000 bales. A year earlier ginnings to this date comprised 95 percent of the crop and 2 years earlier about 85 percent.

WOOL

World wool prices the past month have been firm with some slight increases in most markets. Activity has been limited by the year-end holidays as all Dominion markets were closed for three weeks. Prices in Australia, New Zealand, and Union of South Africa were strong as the markets closed for the holidays. Prices were firm but mostly unchanged as the markets re-opened after the holidays.

In the Boston market, prices on limited offerings have been firm with a strong demand for quarter-blood fleece wools. Prices of scoured pulled wools and South American wools have increased slightly. The limited activity in the Boston market for domestic wools is caused by the unusual inventory situation. According to trade sources there is very little shorn wool--4-7 million pounds, grease basis--held in the hands of growers, cooperatives, and dealers. Stocks are held by topmakers and mills in generally sufficient quantities to meet their needs until the new clip becomes available around the first of March. Those anticipating shortages have purchased foreign wools for delivery the first quarter of 1960. Thus, supplies are considered to be sufficient in all grades with the exception of domestic quarter-blood. Trade reports indicate that stocks of territory quarter-blood are exhausted and that only a very small amount of fleece quarter-blood is available. This situation will probably result in contract buying for delivery as the wool becomes available, which in turn could result in prices being in the farmer's favor.

The average mid-month price per pound received by growers in December 1959 was 41.7 cents compared to 40.9 in November and 41.8 in October. The December price was 20 percent above a year ago.

Domestic mill consumption of raw wool in January-November 1959 totaled 394.2 million pounds, scoured basis, 30 percent more than the same period a

year ago. The weekly average rate of fiber consumption of the woolen and worsted systems during November 1959 was 8 percent below the October 1959 rate and approximately the same as the November 1958 rate. Mill use of apparel wool totaled 245.6 million pounds during January-November 1959, 25 percent above last year. Consumption of apparel wool in November 1959 was 10 below October 1959 but 7 percent above November of last year. Carpet wool mill use totaled 148.6 million pounds, 42 percent more than the same period a year ago. The rate of carpet wool consumption in November 1959 was 10 percent below October 1959 and also 10 percent below November 1958.

Imports of raw wool for the period January-November 1959 totaled 272.3 million pounds, scoured basis, 65 percent more than the same period last year. Dutiable imports were 91.3 million pounds, 58 percent more than last year. Duty-free imports were 181.0 million pounds or 69 percent more than the same period a year ago.

The 1959-60 world wool production estimate has been revised upward by Foreign Agricultural Service due to increases in the Argentine, New Zealand, and Australian clips. The total is now set at a record 5,545 million pounds, grease basis or 3,190 million pounds, clean basis. This is 4 percent above the revised 1958-59 estimate of 5,325 million pounds, grease basis or 3,070 million pounds, clean basis.

Estimated world consumption of virgin wool in the 10 chief consuming countries during January-September 1959 was 1,440.3 million pounds, clean basis or 21 percent more than the same period last year. Consumption during the third quarter of 1959 was 6 percent less than the second quarter of 1959, but when seasonally adjusted for vacation periods would probably be slightly above April to June 1959. This would indicate that there is a slowing down in the rate of recovery from the world textile industry recession of 1958. July-September 1959 is estimated to be about 20 percent above July-September 1958.

TOBACCO

Marketings of the 1959 burley crop have been completed. Prices at auctions for the season through mid-January averaged 60.3 cents per pound, compared with the record 66.1 cents of last season. Price spreads among grades have been wider than in the 1958 season, although considerably narrower than 5 years ago.

Burley supplies for the current marketing year at 1,736 million pounds are slightly lower than for 1958-59. This supply is about 3 1/3 times probable disappearance; a more normal ratio is about 2 3/4.

At auctions for the dark air-cured types 35 (One Sucker) and 36 (Green River), prices averaged 34 1/2 and 34 cents through mid-January compared with 38.6 cents and 36.5 cents in the comparable period of last season. The auction average for Virginia sun-cured (type 37) through mid-January was 34.4 cents per pound, compared with 37.4 cents a year ago.

Auction prices for Virginia fire-cured averaged 38.2 cents through mid-January--2 percent higher than a year ago. Auctions for Kentucky-Tennessee fire-cured, type 22 opened January 11, and for type 23, January 12. For sales during the first week, prices of type 22 averaged 37.3 cents and of type 23, 36.6 cents, compared with 37.0 cents and 37.6 cents, respectively, for the initial week's sales last year.

The total supply of fire-cured for 1959-60 is 1 percent below 1958-59 and the smallest on record; the 1959-60 total supply of dark air-cured and sun-cured tobacco is 6 percent below 1958-59 and the second smallest on record. However, total 1959-60 supplies of fire-cured and dark air-cured are still more than ample in relation to prospective disappearances. These types are used domestically, mainly in snuff and chewing tobacco.

Output of cigarettes in calendar 1959 rose to a record high of about 488 billion--4 percent above 1958. About 96 percent of total output was smoked by U. S. smokers. Cigarette consumption is expected to increase further this year.

U. S. growers of cigarette tobacco have seen virtually no increase in the use of their leaf in the past 5 years. In fiscal 1958-59 cigarette output exceeded that of 1954-55 by 17 percent, but use of domestic leaf (farm-sales weight basis) was about the same in both years. The failure of the farm-sales weight leaf requirement to increase proportionately is mainly due to use of tobacco sheet and additional stems (midribs), and to the decrease in size of the tobacco column resulting from the use of filter plugs and some dimensional changes. A lesser reason has been the larger proportion of imported tobacco going into cigarette blends than 5 years ago.

The 1959 consumption of cigars and cigarillos by U. S. smokers is estimated at 6.9 billion--about 6 percent above 1958 and well above any year since 1929. In the 1920's cigarillos and near-cigarillo -size cigars were relatively unimportant, but in 1959 they probably accounted for around 15 percent of the total. Use of processed sheet binder in place of natural leaf binder in cigar manufacture has had its sharpest impact on Connecticut Valley growers. Domestic utilization of Connecticut Valley binder in 1958-59 was only three-fifths as much as a year earlier and only around a third as much as 5 years earlier.

The 1959 output of smoking tobacco for pipes and "roll-your-own" cigarettes is estimated at 73 million pounds--4 percent less than in 1958 but 2 percent above 1957, when production was lowest this century. In view of the favorable outlook for consumer incomes, appreciable increases in smoking tobacco output are not likely this year.

Production of chewing tobacco and snuff in 1959 is estimated at near 67-1/2 million and 34 million pounds, respectively--both down about 2 percent from 1958. Chewing tobacco will probably continue to trend downward, but snuff output in 1960 may not be much different than last year's.

On January 4 the Department of Agriculture announced the 1960 Maryland tobacco acreage allotment at virtually the same level as in 1959. Growers will vote in a referendum to be held February 2 on whether marketing quotas are to be applicable to their next 3 crops. Approval by at least two-thirds of the growers voting is necessary to place marketing quotas and acreage allotments in effect.

On January 15 the Department announced the 1960 acreage allotments for burley, Connecticut Valley and Wisconsin cigar binder, and Ohio cigar filler tobacco. Allotments for most farms growing these types will be about the same as last year's. Producers of Connecticut Valley binder (types 51-52) and Ohio filler-Wisconsin binder (types 42-44 and 53-55) will vote in separate referendums to be held February 11 on marketing quotas for their next 3 crops. Burley growers approved marketing quotas for the 1960 crop in a previous referendum.

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